

TAX RATES

A. Tax Rate Ceiling

School districts must establish a number of calculations and tax rates at budget time and file the rates with the State Auditor's Office (SAO) and the respective county clerks before September 1. Often confusing for a school district is where to begin and what rates are to be calculated at which time and in which order. A glossary of tax related terminology and an ordered calculation sequence is provided at the end of this document.

A school district must always begin with what is referred to as its tax rate ceiling. This is the maximum rate for *operating* funds (all funds but the Debt Service Fund) that a school district may levy and is calculated on the State Auditor's Office (SAO) forms. The forms outline the calculations that are made to be in compliance with Article X, Section 22, of the Missouri Constitution (Hancock limit) and with Section 137.073, RSMo, (Statutory limit). The lower of these two calculations becomes the tax rate ceiling for operating funds for the current year for SAO records.

B. Debt Service Fund

Another calculation is made on the SAO Form C to determine the maximum allowed by the local school district to provide revenues for the Debt Service Fund. This calculation takes into account a reasonable reserve, recognizing the timing of payments required for the Debt Service Fund and the timing of actual tax revenue distribution.

C. State Auditor's Office Approval

Since the legislative session each year ends at 6 p.m. on the first Friday after the second Monday in May, forms from the SAO are mailed to school districts in June. The Consumer Price Index (CPI) used in the tax rate setting process is not known until mid-May. The State Tax Commission certifies the figure used based on the rate from the April-to-April (12 month) cycle.

The county assessor has until May 31 each year to establish the assessed valuation of property in the county. Following the closing of the assessor's books on May 31, the information is turned over to the county clerk to notify political subdivisions (including school districts) of the types and amounts of assessed valuation in the county.

In order for the school district or the SAO to complete the calculation of the tax rate ceiling for operating funds, the school district needs the following data (from the identified sources):

1. locally assessed real property for the prior year and for the current year (county clerk);
2. locally assessed personal property for the prior year and for the current year (county clerk);
3. total locally assessed valuation for the prior year and for the current year (county clerk);
4. assessed valuation of new construction and improvements for real property only (county clerk);
5. assessed valuation of property in newly added territory (county clerk);
6. assessed valuation of property in newly separated territory (county clerk);
7. assessed valuation of property locally assessed in the prior year, but state assessed in the current year (county clerk);
8. maximum prior year revenue from state assessed property before sales tax reduction (estimate from School Finance Section, Missouri Department of Elementary and Secondary Education (Department)); and
9. estimated current year revenue from state assessed property before sales tax reduction (estimate by the school district in collaboration with other school districts in the county).

After the school district has completed the necessary forms for the State Auditor's Office, the forms are sent to the county clerks to be forwarded to the SAO for review. Once the forms have been approved, the SAO sends a written letter certifying the current year's levy. The approved tax rate ceiling (operations) is used by the school district as its beginning point for setting its levy and calculating its Proposition C (sales tax) rollback (if any)

D. Voluntary Rollback

As a result of the Attorney General's Opinion #79-88, dated March 31, 1988, regarding voluntary rollbacks, a school district that levies a tax rate below its tax rate ceiling (maximum for operations) may return to the tax rate ceiling the

following year without voter approval, provided no changes have occurred in its tax rate ceiling. This means that the school district uses the tax rate ceiling for operations in calculating its prior year's revenue for rollback purposes on the SAO forms. Any school district seeking an increase in its tax rate ceiling or any tax levy increase through the Proposition C waiver for inclusion on the tax books for the current calendar (tax) year must vote the issue before September 1 of that same year.

A school district should determine its Proposition C rollback (if any) and then decide if any voluntary rollback is desired. Voluntary rollbacks are subtracted from the tax rate ceiling first and then Proposition C rollback is subtracted when completing the final levy forms: **Estimate of Required Local Taxes** submitted to the county clerk(s) and **District Tax Data** in the August Cycle Core Data Collection submitted to the Department of Elementary and Secondary Education (DESE).

E. **Proposition C Rollback**

The purpose for this procedure is to establish the adjusted property tax rate for school purposes to compensate for the sales tax revenue generated by Proposition C (Section 164.013, RSMo). This calculation should be performed by the school district official using the **District Tax Reduction Worksheet** according to the instructions attached.

F. **Estimate of Required Local Taxes**

The **Estimate of Required Local Taxes** establishes the tax rate by fund to be extended onto the tax books for the calendar year. One form is sent to each county clerk where a school district has assessed valuation in a county. The form must be filed on or before September 1 each year in order for a school district to have a tax levy for that fiscal year. In addition to other summary information filed on the form for the county, the unadjusted and adjusted levies by fund are reported on the form. The unadjusted levy is the tax rate ceiling minus any voluntary rollback plus the debt service levy minus any voluntary rollback. The adjusted levy is the levy after Proposition C rollback has been made (in the appropriate school purposes funds) plus the debt service levy.

G. **District Tax Data**

The **District Tax Data** is collected on Screens 6 and 6A for the August Core Data Collection Cycle. The information is used by the School Finance Section to calculate the school district's current year apportionment of Basic Formula and Line 14 (Free & Reduced Lunch) monies and to check for Proposition C rollback compliance. Screen 6 should reflect the same unadjusted and adjusted levies by fund as filed with the county clerk(s) on the **Estimate of Required Local Taxes**. In the appropriate areas of Screen 6, the tax rate ceiling and debt service fund maximum as approved by the SAO should be entered. Voluntary rollbacks for operations and for the Debt Service Fund are also recorded. In addition, pertinent information used by the school district in its Proposition C rollback will be included on the screen.

One problem area appears to be the reporting of the district's assessed valuation. The assessed valuation of real and personal property by county on Screen 6A should reflect the assessed valuation used by the school district to calculate its SAO ceiling and Proposition C rollback. Therefore, the assessed valuation reported on Screen 6A should be the same as on Line 1 of the State Auditor's Form A. Screen 6A should not be updated for revisions to the assessed valuation subsequent to the setting of the tax rate. Please contact School Finance if you have questions about the assessed valuation to be reported.

Each year instructions in the **Core Data Collection System Manual** should be read carefully before completing the form.